

Message Text

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12

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FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST

C O N F I D E N T I A L STATE 039695

E.O. 11652: GDS

TAGS: EFIN, HU

SUBJECT: BOND SETTLEMENT AGREEMENT

REF: BUDAPEST 0442

1. DEPARTMENT REGRETS THAT IT CANNOT REPEAT CANNOT ACCEPT LANGUAGE SUBMITTED BY HUNGARIAN MINISTRY OF FINANCE REGARDING BOND SETTLEMENT AGREEMENT. LANGUAGE SUFFICIENTLY BROAD TO EXCLUDE FUTURE NEGOTIATION AND SETTLEMENT OF HUNGARIAN LAND REFORM BONDS OF 1928 WHICH ARE OWNED BY KREUTOLL REALIZATION COMPANY, LIMITED. SUCH BONDS NOT SUBJECT OF SETTLEMENT AGREEMENT BETWEEN FOREIGN BONDHOLDERS PROTECTIVE COUNCIL AND HUNGARIAN MINISTRY OF FINANCE. THIS CONNECTION, NATIONAL BANK VICE PRESIDENT JANOS FEKETE ASSURED DEPARTMENT OFFICIALS DURING NEGOTIATIONS WHICH LED TO CLAIMS AGREEMENT OF MARCH 6, 1973, THAT MINISTRY OF FINANCE INTENDS TO SETTLE SUCH BONDS AFTER CONCLUSION OF AGREEMENT WITH BONDHOLDERS PROTECTIVE COUNCIL.

2. DEPARTMENT DESIROUS OF GIVING ASSURANCES CONNECTED WITH BOND SETTLEMENT AGREEMENT AND TOWARD SUCH END SUGGESTS FOLLOWING LANGUAGE:

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"THE FOREIGN BONDHOLDERS PROTECTIVE COUNCIL, INC., IS THE APPROPRIATE ENTITY TO CARRY ON NEGOTIATIONS AND CONCLUDE SETTLEMENT RELATING TO PUBLICLY OFFERED GOVERNMENT AND GOVERNMENT-GUARANTEED DOLLAR DENOMINATED DEBT AND CORPORATE DOLLAR DENOMINATED DEBT EXCEPT FOR THE HUNGARIAN LAND REFORM BONDS OF 1928. RECOGNIZING THIS FACT AND SUBJECT TO THE FOREGOING EXCEPTION, THE UNITED STATES GOVERNMENT WILL NOT SPONSOR FUTURE CLAIMS WHICH MIGHT NOT BE DEPOSITED IN ACCORDANCE WITH, AND BY WAY OF ACCEPTANCE OF, AN OFFER NEGOTIATED WITH AND RECOMMENDED BY THE COUNCIL."

3. EMBASSY REQUESTED CONVEY FOREGOING AMENDED LANGUAGE TO MINISTRY OF FINANCE AND TO EXPLAIN DEPARTMENT'S REASONS FOR NOT ACCEPTING AMENDED LANGUAGE SUBMITTED BY THE MINISTRY. KISSINGER

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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